

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Yisroel LEFKOWITZ
Application No. : 09/729,984 Confirmation No.: 8696
Filed : December 5, 2000 Group Art Unit : 3682
Title : METHOD AND APPARATUS FOR SELLING
INTERNATIONAL TRAVEL TICKETS IN
COMBINATION WITH DUTY FREE GOODS
Examiner : ALVAREZ, Raquel

Commissioner for Patents
P.O. Box 1450
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REQUEST FOR REHEARING

Sir:

This paper is submitted in response to the Decision on Appeal in the above-captioned application dated May 30, 2012. Therein, Board of Patent Appeals and Interferences (“BPAI”) reversed the decision of the Examiner to reject the pending claims in this application. The decision, however, contains new ground of rejection. Accordingly, Applicants requests herewith that these proceedings be reheard pursuant to 37 C.F.R. § 41.52.

Remarks begin on page 2 of this paper.

REMARKS

I. Background

The BPAI reversed the Examiner's rejection of claims 1-2, 4-12, 14-20, 85, 96-102, 104-105, and 108 herein under 35 U.S.C. § 103 as being unpatentable over US 6,847,956 ("Walker") in view of a combination of: "Air France corrects and replaces previous announcement," Business Wire, p1230241, Jan. 23, 1996 ("Air France"); Ong-Yeoh, David, "Golden Boutique set to boost MAS revenue," Business Times (Malaysia). P. 2, Aug. 26, 1995 ("Ong-Yeoh"); and Official Notice. *Ex Parte Lefkowitz*, Appeal 2011-002721, pp. 2-4 (the "Decision on Appeal"). The BPAI, however, entered new grounds of rejection under 35 U.S.C. § 103. *Id.*

On the very same day that the BPAI issued its Decision on Appeal, the Federal Circuit issued a ruling on obviousness that rejects the approach taken by the BPAI in these new grounds of rejection. *See Mintz v. Dietz & Watson, Inc.*, 2012 U.S. App. LEXIS 10884 (Fed. Cir. 2012). That is, in *Mintz*, the Federal Circuit rejected the district court's unsubstantiated reliance on "common knowledge" and "common sense". *Id.* at 10-11. The Federal Circuit further admonished the district court for failing to resolve the level of skill in the pertinent art and consider evidence of non-obviousness. *Id.* at 6-7, 10-12, and 15. As will be explained below, the new grounds of rejection entered by the BPAI herein fail for these as well as other reasons. Accordingly, reconsideration and withdrawal of the new grounds of rejection is respectfully requested.

II. Arguments

A. Improper reliance on common sense approach

In *Mintz*, the claims at issue relate to structures for encasing meat products. *Id.* at 1. Although the evidentiary record showed that all but one of the claim limitations were shown in two prior art references (one in the meat casement arts and another in the knitting arts), the district court granted the defendant's motion for summary judgment on obviousness based on what the court believed was common knowledge to the ordinary

skilled artisan. *Id.* at 8, 10-11. The Federal Circuit reversed holding that the district court's application of the "common sense approach" was a clear error. *Id.* at 10. Specifically, the district court failed to cite evidence in the record to support its conclusion of that which it believed was common knowledge to the ordinary skilled artisan. *Id.* at 10-11 (noting that "with little more than an invocation of the words 'common sense' (without any record support showing that this knowledge would reside in the ordinarily skilled artisan), the district court over-reached in its determination of obviousness.")).

In the Decision on Appeal herein, the BPAI applied the same faulty analysis as the district court in *Mintz*. That is, the BPAI simply parsed the elements of representative claim 1 into discrete elements (FF1-FF8) and thereafter rejected the pending claims as obvious with little more than a recitation of "common knowledge" and "common sense." *Decision* at 8-11. A conclusion of obviousness requires more than a simple conclusory reference to "common knowledge" and "common sense"; the conclusion must be supported by evidence in the record. *See Mintz v. Dietz & Watson, Inc.* at 5-12.

The BPAI's analysis further reflects the extent to which hindsight impermissibly formed the basis of the rejection. *Ecolochem, Inc. v. Southern California Edison Company*, 227 F.3d 1361, 1371 (Fed. Cir. 2000) ("[One] 'cannot use hindsight reconstruction to pick and choose among isolated disclosures in the prior art to duplicate the claimed invention.'")(quoting *In re Fine*, 837 F.2d 1071, 1075 (Fed. Cir. 1988)). The BPAI cannot use Applicant's disclosure as a blueprint to "assemble" an obviousness rejection as it has. *Id.* (citing *In re Dembiczak*, 175 F.3d 994, 999 (Fed. Cir. 1999)). Instead, a "proper [obviousness] analysis requires a form of amnesia that 'forgets' the invention and analyzes the prior art and understanding of the problem at the date of invention." *Mintz v. Dietz & Watson, Inc.* at 17. Otherwise, every invention can be broken into a series of discrete points based on the disclosure/claim to make it seem obvious.

In this instance, the BPAI gleaned most if not all of the alleged facts from the Applicant's disclosure. For instance, the BPAI has not cited any evidence to show the

preexistence of concession fees and, even if concession fees did exist, that the merchant could in any way avoid paying these fees to the airport. To the contrary, a skilled artisan was under the impression that duty-free items could only be sold legally at the point where the purchaser was leaving the country, with no opportunity for return without first leaving the country. *Michael Barnard Declaration* at para. 7 and *Nadir Medjkoune Declaration* at para. 7 (submitted February 17, 2006). In other words, the belief was that duty-free goods could only be sold to international travelers at the airport on the date of departure, and, as a result, the concession fee was unavoidable. That being the case, the skilled artisan is not looking to solve a problem (avoiding concession fees) that was not recognized at the relevant time. *Mintz v. Dietz & Watson, Inc.* at 11 (noting further that using “the invention to define the problem that the invention solves,” “represents a form of prohibited reliance on hindsight.”). Moreover, duty-free goods, such as watches, perfumes, and other luxury items, for the most part, are impulse purchases. Research has shown that feelings and instant gratification play a decisive role in such purchases. That being the case, one skilled in the art would not want to delay delivery of duty-free goods, often for several months, between purchase and the date of departure. Furthermore, the BPAI appears to assume that the problem being solved was known, though it provides no factual support showing that the problem was indeed known, and proceeds directly to the solution, which it then says is obvious. In *Mintz*, the Federal Circuit recognized that often the “the inventive contribution lies in defining a problem in a new revelatory way” and that once the problem has been framed properly the solution may flow from it naturally. *Id.* at 11. As indicated above, the problem being solved with this application was not recognized at the relevant time and the BPAI incorrectly failed to give credit to the inventor for defining the problem.

Consequently, as the BPAI already concluded, the evidence of record “would not lead one of ordinary skill in the art to a method whereby a merchant ‘determines the discounted price of said international travel ticket based at least in part on a dollar value of one or more duty free items which are or must be purchased from the merchant such that the portion of the concession fee not paid by the merchant on the dollar value is

sufficient to allow the merchant to sell the specific international at the discounted price” and would not “require said customer to select for purchase as a part of a single transaction both the specific international travel ticket and at least one specific duty free items”, as claimed. *Decision on Appeal* at 7-8 (emphasis added).

B. BPAI failed to resolve level of ordinary skill in the pertinent art.

Any conclusion with regard to obviousness requires the factfinder to resolve the level of ordinary skill in the art at the time of the invention. *Environmental Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693, 697 (Fed. Cir. 1983)(noting that this “important consideration lies in the need to adhere to the statute, *i.e.*, to hold that an invention would or would not have been obvious, as a whole, when it was made, to a person of ‘ordinary skill in the art’ – not to the judge, or to a layman, or to those skilled in remote arts, or to geniuses in the art at hand.”). “Factors that may be considered in determining level of ordinary skill in the art include: (1) the educational level of the inventor; (2) type of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field.” *Id.* (citing *Orthopedic Equipment Co., Inc. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1382 (Fed. Cir. 1983)). Even though there is ample evidence in the record to address these factors, the BPAI has failed to do so. *See Michael Barnard and Nadir Medjkoune Declarations* (submitted February 17, 2006). This is particularly problematic given the BPAI’s reliance on basic knowledge and common sense to the skilled artisan. *Mintz v. Dietz & Watson, Inc.*, 2012 U.S. App. LEXIS 10884, 11 (Fed. Cir. 2012)(noting that the “court’s reliance on the perspective of an artisan in the knitting arts [–the incorrect field–] is especially problematic [because the] basic knowledge (common sense) of a knitting artisan is likely to be different from the basic knowledge in the possession of a meat encasement artisan” –the correct field.).

In the present application, the *Declarations* establish the experience and educational levels of workers in the field, *i.e.*, “someone who has worked in the field of duty-free shopping for [1-3] years, and need not be someone with any degree or formal

education in the in the field” and that “[s]uch a person would be familiar with the ways in which duty-free items are sold to ordinary ... international travelers.” *Id.* at para. 6. The *Declarations* further establish that at the time of the invention “duty-free items were sold predominately through shops in airports, or other international points of embarkation and on airplanes.” *Barnard Declaration* at para. 7. Moreover, the skilled artisan believed at the time that “[s]ales of duty-free items could only lawfully take place where the purchaser was leaving the country in which the purchase was being made, with no opportunity to return from the airport ... without first leaving the country.” *Id.* (emphasis added). In other words, the skilled artisan understood that duty-free items could only be purchased at the time the international traveler was going to leave the country. Since international tickets are typically purchased well in advance of the travel date, the skilled artisan would not have thought to combine the sale of the ticket with the duty-free item. *Id.* at para. 7 and 11.

The BPAI’s failure to consider the level of skill of the relevant artisan is fatal for the new grounds of rejection given the BPAI’s reliance on a “common sense” approach and in light of the evidence in the record (the *Declarations*) that contradicts the assumptions underlying the new grounds of rejection.

C. BPAI ignored secondary considerations

Secondary considerations, when present, must be considered in a determination of obviousness. *In re Huai-Hung Kao*, 639 F.3d 1057, 1067-1068 (Fed. Cir. 2011)(noting that “ when secondary considerations are present, though they are not always dispositive, it is error not to consider them.” (citation omitted)). In the present application, Applicants filed two Rule 132 Declarations on February 17, 2006: the *Michael Barnard* and *Nadir Medjkoune Declarations*. The Decision on Appeal, however, improperly omits any discussion with regard to the *Declarations*.

The *Declarations* provide compelling evidence of unobviousness. Specifically, the declarants establish the level or ordinary skill in the art, as discussed *supra*. *Barnard Declaration* at para. 6-7; *Medjkoune Declaration* at para. 6-7. The declarants further

state that there was a long felt need to increase sales in the industry that was not satisfied by traditional marketing techniques, *i.e.*, advertising, promotional sales, etc., and that one skilled in the art would not have thought to combine duty free and with international travel tickets purchases in a single transaction. *Barnard Declaration* at para. 8; *Medjkoune Declaration* at para. 8. The declarant Barnard further points out that the airlines, which have been selling duty free items on their plane for decades, failed to link ticket sales with duty-free items. *Barnard Declaration* at para. 8. Finally, Barnard opined, based on their years of experience as executives in the airline industry, that, absent hindsight, one skilled in the art would not have thought to combine specific international ticket sales with duty-free items (*Barnard Declaration* at para. 10-11). The BPAI's failure to consider evidence of unobviousness is fatal to its determination of obviousness with the new grounds of rejection.

D. BPAI's assessment of the differences between the prior art and the claims at issue is incorrect.

1) Scope of Representative Claim 1

In the Decision on Appeal, the BPAI interpreted claim 1 to cover the following basic steps: “[1] a customer purchasing from a merchant, via a computer network, a ticket for international travel at a discount if a duty free items is also purchased and [2] a merchant (a) acknowledging the purchase and delivering the ticket via the computer network, (b) arranging for the duty free item to be delivered to the customer with the carrier without the merchant being required to pay at least a portion of a concession fee; and (c) advising the customer of delivery at or near an exit point or on board during travel associated with the ticket” and “[3] the merchant applying the unpaid portion of the concession fee as a discount to the cost of the international ticket.” *Id.* at 8-9. This determination, however, ignores a significant portion of the words recited in representative claim 1. *See* Table A, attached hereto as Exhibit I (illustrating the differences between the elements of claim 1 and the BPAI's construction). Specifically,

the BPAI ignores that claim 1 requires offering the customer a specific international travel ticket and at least one specific duty free item, and that the customer was required to purchase both in a single transaction.

It is well settled that “all words in a claim must be considered in judging the patentability of that claim against the prior art.” *In re Wilson*, 424 F.2d 1382, 1385, 165 USPQ 494, 496 (CCPA 1970). Moreover, the factfinder cannot define the scope of a claim in terms of what it believes is the “gist” or “heart” of the invention, *i.e.*, by focusing on certain of the claim elements while ignoring others. *Allen Eng'g Corp. v. Bartell Indus.*, 299 F.3d 1336, 1345 (Fed. Cir. 2002)(citation omitted). In this regard, the BPAI’s basis for the new grounds of rejection goes against even the most basic principles for determining the scope of a patent claim. Accordingly, the BPAI’s findings with regard to the “differences between the prior art and the claims at issue” cannot support its conclusion of obviousness.

2) Scope of the Prior Art

“[F]actual findings as to scope and content of the prior art must be supported by substantial evidence.” *Novamedix Distrib. Ltd. v. Dickinson*, 175 F. Supp. 2d 8, 9 (D.D.C. 2001)(citing *Dickinson v. Zurko*, 527 U.S. 150, 144 L. Ed. 2d 143, 119 S. Ct. 1816 (1999); *Graham v. John Deere Co.*, 383 U.S. 1, 14, 15 L. Ed. 2d 545, 86 S. Ct. 684 (1966)). In *KSR Int’l Co. v. Teleflex Inc.*, the Court rejected the notion of a fact finder resorting to mere conclusory statements to support a finding of obviousness. 550 U.S. 398, 421 (2007). (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). The Federal Circuit recently confirmed that a “mere recitation of the words ‘common sense’ without any [factual] support adds nothing to the obviousness equation.” *Mintz v. Dietz & Watson, Inc.*, 2012 U.S. App. LEXIS 10884, 10 (Fed. Cir. 2012)(noting that “‘common sense’ is a shorthand label for knowledge so basic that it certainly lies within the skill set of an ordinary artisan.”). The knowledge alleged to be commonly known must find support in the administrative record. *Id.* at 10-11. General conclusions about what it believed to be “basic knowledge and common sense [in the art] that is not based on any

evidence in the record lacks substantial evidence support.” *In re Zurko*, 258 F.3d 1379, 1385 (Fed Cir. 2001).

In reversing the Examiner’s rejection of representative claim 1, the BPAI (1) agreed that the Walker and Air France combination did not disclose “offering to sell a customer, over a computer network, a specific international travel ticket for travel with a first passenger carrier at a discounted price and one or more specific duty free items” especially since “Air France does not disclose duty free items” and (2) held further that “the cited prior art combination would not lead one of ordinary skill in the art to a method whereby a merchant ‘determines the discounted price of said international travel ticket based at least in part on a dollar value of one or more duty free items which are or must be purchased from the merchant such that the portion of the concession fee not paid by the merchant on the dollar value is sufficient to allow the merchant to sell the specific international at the discounted price.’” *Decision on Appeal* at 7-8. Having established that the record does not contain sufficient evidence with regard to these elements to support a finding of obviousness, the BPAI remarkably lists eight findings of fact (FF1-FF8) that it alleges are supported by a preponderance of the evidence. *Id.* at 9-10. Not surprisingly, the BPAI’s citations to evidence in the record to support findings FF1-FF8 are limited. Instead, the BPAI substitutes its own knowledge for evidence. With regard to the conclusions regarding FF7-FF8, the BPAI is simply wrong.

It is also well settled that the BPAI cannot remedy deficiencies in the administrative record by “general conclusions about what is ‘basic knowledge’ or ‘common sense’ to one of ordinary skill in the art.” *In re Zurko*, 258 F.3d 1379, 1385 (Fed. Cir. 2001). In *In re Zurco*, the Federal Circuit refused to accept the BPAI’s assessment of “basic knowledge and common sense” particularly because the fact alleged “was not based on any evidence in the record and, therefore, lack[ed] substantial evidence support.” *Id.* The Court stated further that, “[w]ith respect to core factual findings in a determination of patentability, ... the Board cannot simply reach conclusions based on its own understanding or experience – or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some

concrete evidence in the record in support of these findings.” *Id.* at 1386. The Federal Circuit recently confirmed that any reliance on an unsubstantiated “common sense approach” is clear error.” *Mintz v. Dietz & Watson, Inc.* 2012 U.S. App. LEXIS 10884 at 10 (holding that the “district court made a clear error, however, in its unsubstantiated reliance on a ‘common sense view’ or ‘common sense approach’”).

The BPAI does not cite to any specific evidence in the record to support FF1-FF6. Moreover, with regard to FF7-FF8 the BPAI has drawn conclusions with regard to concession fees that are not supported by the record. That is, the BPAI cites page 8, lines 10-11 of the specification to show that concession fees do not apply to items not sold by a duty free. *Decision on Appeal* at 9-10. At page 8, lines 10-11 of the specification Applicants simply note that Title 19 of the Code of Federal Regulations defines “duty-free merchandise” as “merchandise sold by a duty free store on which duties and/or internal revenue taxes, if applicable, have not been paid.” There is absolutely no mention of concession fees at page 8 of the application. There is also no mention of concession fees in any of the prior art references in the record. If concession fees were as commonly known as the BPAI purports, it is surprising that the Examiner has not been able to find a single reference that discloses concession fees in the 12 years that this application has been pending.

As in *Mintz*, the BPAI’s failure to cite any evidence in the record to support its factual findings is clear error. Moreover, the record does not support a finding of obviousness. Indeed, in reversing the Examiner’s rejection, the BPAI has already concluded that the administrative record lacks the evidence necessary for a finding of obviousness with regard to elements (1) and (2) noted above.

III. Conclusion

For the above reasons, Applicants submit that the pending claims are patentable over the references of record. Accordingly, reconsideration and allowance of the pending claims are respectfully solicited.

Respectfully submitted,

/ Antonio Papageorgiou/

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Exhibit I

Claim 1	BPAI Interpretation
A method of selling international <u>travel tickets in combination with duty free items from a single merchant</u> , comprising the steps of: Offering to sell a customer, over a computer network, a <u>specific international travel ticket for travel</u> with a first passenger carrier at a discounted price and <u>one or more specific duty free items</u> ;	A customer purchasing from a merchant, via a computer network, a ticket for international travel at a discount if a duty free items is also purchased
In conjunction with said offer to sell said specific international travel ticket at said discounted price, <u>requiring said customer to select for purchase as part of a single transaction both the specific international ticket and at least one specific duty free item</u> to be delivered to the customer at or near an exit point or on board the passenger carrier during the travel associated with the specific international ticket said merchant having arranged with the first passenger carrier for delivery of the at least one specific duty free item to said customer during the travel associated with said specific international travel ticket <u>without the merchant being required to pay at least a portion of a concession fee otherwise charged by the first passenger carrier to merchants for selling or delivering such duty free items</u> ;	Merchant arranging for the duty free item to be delivered to the customer with the carrier without the merchant being required to pay at least a portion of a concession fee
Said merchant acknowledging said customer's decision to purchase said specific international travel ticket and said at least one specific duty free item, the acknowledgement made over said computer network;	Merchant acknowledging the purchase and delivering the ticket via the computer network,
<u>Said merchant accepting payment over said computer network from said customer for said specific international travel ticket and said specific duty free item</u> ;	
Said merchant advising said customer of the method of delivery of said specific duty free item to said customer, said method of delivery being connected to said customer engaging in the international travel associated with the specific international travel ticket;	Merchant advising the customer of delivery at or near an exit point or on board during travel associated with the ticket
Wherein said merchant <u>determines the discount price of said specific international travel ticket based at least in part on a dollar value of one or more duty free items which are or must be purchased from the merchant</u> on the dollar value is sufficient to allow the merchant to sell the specific international at the discounted price.	The merchant applying the unpaid portion of the concession fee as a discount to the cost of the international ticket

Table A